

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA

REPORT ON EXAMINATION

as of

DECEMBER 31, 2000

of

PEOPLES SAVINGS LIFE
INSURANCE COMPANY

ALEXANDER CITY, ALABAMA

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EXAMINATION AFFIDAVIT

**STATE OF ALABAMA
COUNTY OF TALLAPOOSA**

Douglas T. Brown being first duly sworn, upon his oath deposes and says:

That he is an examiner appointed by the Commissioner of Insurance for the State of Alabama;

That an examination was made of the affairs and financial condition of *PEOPLES SAVINGS LIFE INSURANCE COMPANY*, for the period of January 1, 1998 through December 31, 2000;

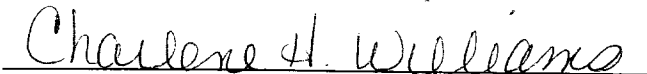
That the following 27 pages constitute the report thereon to the Commissioner of Insurance of the State of Alabama;

And, that the statements, exhibits, and data therein contained are true and correct to the best of his knowledge and belief.



Douglas T. Brown
Examiner-in-Charge

Subscribed and sworn to before the undersigned authority this 22th day of January 2002.



(Signature of Notary Public)



(Printed name)

, Notary Public

in and for the State of Alabama

My commission expires June 4, 2003



DON SIEGELMAN
GOVERNOR

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
FINANCIAL/EXAMINATION DIVISION
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Commissioner
David Parsons

Chief Examiner
Richard L. Ford

General Counsel
Michael A. Bownes

Alexander City, Alabama
January 22, 2002

Honorable David Parsons
Commissioner of Insurance
State of Alabama
Post Office Box 303350
Montgomery, Alabama 36130-3350

Dear Commissioner Parsons:

Pursuant to your instructions and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, an examination has been made of the affairs and condition of

PEOPLES SAVINGS LIFE INSURANCE COMPANY

as of December 31, 2000, at its home office located at 1977 Cherokee Drive, Alexander City, AL 35010. The report of examination is submitted herewith.

Where the term "Company" appears herein, without qualification, it will be understood to indicate Peoples Savings Life Insurance Company.

SCOPE OF EXAMINATION

The Company was last examined for the three-year period ended December 31, 1997. The current examination covers the three-year period from January 1, 1998, through December 31, 2000, and was conducted by examiners representing the State of Alabama, Department of Insurance. Where deemed appropriate, transactions subsequent to December 31, 2000, were reviewed.

The Company has been examined in accordance with statutory requirements of the *Alabama Insurance Code* and regulations and bulletins of the Alabama Department of Insurance; in accordance with the applicable guidelines and procedures promulgated by the National Association of Insurance Commissioners (NAIC); and in accordance with generally accepted examination standards.

The examination included a general review of the Company's operations, administrative practices, and compliance with statutes and regulations. Corporate records were inspected. Income and disbursement items for selected periods were tested. Assets were verified and valued, and all known liabilities were established or estimated as of December 31, 2000, as shown in the financial statements contained herein. However, the discussion of assets and liabilities contained in this report has been confined to those items which resulted in a change to the financial statements, or which indicated a violation of the *Alabama Insurance Code* and the Insurance Department's rules and regulations or other insurance laws or rules, or which were deemed to require comments and/or recommendations.

In compliance with requirements of the Alabama Department of Insurance, a signed certificate of representation was obtained from the President and the Treasurer of the Company. In this certificate, management attests to having valid title to all assets and non-existence of unrecorded liabilities as of December 31, 2000. A signed letter of representation was also obtained at the conclusion of the examination whereby the President and Treasurer represented that, through the date of this examination report, complete disclosure was made to the examiners regarding asset and liability valuation, financial position of the Company, and contingent liabilities.

ORGANIZATION AND HISTORY

The Company was incorporated on August 15, 1950, under the laws of the State of Alabama. The *Certificate of Incorporation* was filed for record in the office of the Probate Judge of Houston County. The Company commenced business on October 3, 1950. A surplus of \$5,000 was received from contributions made by the stockholders of record.

The *Certificate of Incorporation* stated that the Company was organized to do business as a mutual aid, benefit and industrial company or association with the powers and privileges to perform or engage in any lawful business which similar corporations may engage in under the Business Corporation Law of 1981, the Constitution of the State of Alabama of 1901, and Title 27 of the Code of Alabama, 1975, as amended.

The authorized capital stock at the date of incorporation, as set forth in the original Certificate of Incorporation, was \$25,000, made up of 250 shares with a par value of \$100 each.

On December 28, 1984, the Company amended Article IV of its Articles of Incorporation to read as follows: "The capital stock of Corporation shall be \$100,000 divided into 25,000 shares of stock, each with a par value of \$4." The number of shares outstanding at December 31, 1989, consisted of 25,000 shares of \$4 par value stock.

At a hearing on January 18, 1996, it was determined that Peoples Savings Life Insurance Company was in violation of Section 27-27-50(b), Code of Alabama, 1975, as amended. As a result, the Company's charter was extinguished. Upon appeal and presentation of new evidence, the Company's charter was restored.

Immediately prior to the purchase of the Company by Mr. William Bret Sexton on April 26, 1996, the Company redeemed 12,499 shares of stock for the sum of \$338,088, thereby reducing the capital to \$50,004, and reducing the unassigned surplus by the difference.

On April 26, 1996, the Commissioner of Insurance for the State of Alabama suspended the Certificate of Authority of Peoples Savings Life Insurance Company due to the sale of assets and statutory deposit without the Commissioner's approval. This was a violation of statutory requirement. On May 22, 1996, the suspension was lifted after the Company put \$20,000 on deposit with the State Treasurer as a statutory deposit.

On February 5, 1998, a hearing was held for the purpose of considering the acquisition of control of Peoples Savings Life Insurance Company by Mr. Nathan Wayne Stark. It was determined, however, that the Company was in violation of Section 27-27-50(b), Code of Alabama, 1975, as amended. A corporate charter of a domestic insurer which "is not actively engaged in business as a domestic insurer...is automatically hereby extinguished and nullified at the expiration of such 36-month period." Consequently, the Company's charter was nullified due to such violation.

On appeal, a hearing was held on May 18, 1998, regarding the violation of Section 27-27-50(b) of the *Alabama Insurance Code*, and the acquisition of control of merger with Peoples Savings Life Insurance by Mr. Nathan Wayne Stark. Upon consideration of the evidence, it was determined that Peoples Savings Life Insurance Company had been actively engaged in business as a domestic insurer, and its corporate charter was not

extinguished and nullified by operation of law. As a result, the sale of Peoples Savings Life Insurance Company by Mr. Sexton to Mr. Stark was approved.

On August 31, 1999, an Order to Show Cause was issued due to the Company's failure to file its Y2K testing results, as was required by the Commissioner of Insurance in a directive dated March 29, 1999. On September 22, 1999, said Order to Show Cause was rescinded after the Company satisfactorily filed its Y2K testing results.

On April 18, 2000, the Company was issued an Order to Show Cause pertaining to Alabama Department of Insurance *Regulation No. 101*, pursuant authority set forth in Section 27-27-41, Code of Alabama, 1975, as amended. The Order to Show Cause was the result of the Company having a significant operational loss within a twelve-month period, which was determined to be 50% of such insurer's remaining surplus as regards policyholders in excess of the minimum requirement. As determined, the Company was noted as operating under hazardous financial condition. A hearing was held on September 19, 2000, to consider not only the Order to Show Cause but correspondence to the Chief Operating Officer of the Company. It was determined that the Company made some efforts to comply with the Department's request, and did appear to address some of the Department's concerns during the hearing. However, the Commissioner of Insurance extended the Order forty-five (45) days so that the Company could completely address each and every request contained in the Department's August 18, 2000 letter.

On October 2, 2001, subsequent to the December 31, 2000 Annual Statement, the Company was issued an Order to Show Cause for violations pertaining to Alabama Department of Insurance *Regulation No. 118*, and Section 27-3-21(b)(2), Code of Alabama, 1975, as amended. The Company has complied with the Order to Show Cause.

FINANCIAL CONDITION/GROWTH OF THE COMPANY

The following schedule presents financial data, which reflects the growth of the Company for the years indicated:

<u>Year</u>	<u>Net Written Premiums</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>
1997	\$ 0	\$245,914	\$ 131	\$245,783
1998	0	296,020	131	295,889
1999	28,197	290,489	25,616	264,873
2000	0	228,492	131	228,361

Data for the years 1997 and 2000 are per examination. Data for the remaining years was obtained from Company copies of filed Annual Statements.

STATUTORY DEPOSITS

In accordance with applicable Alabama insurance statutes, the Company maintained the following deposit with the Treasurer, State of Alabama, at December 31, 2000:

	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Colonial Bank, FHLB, 5.280%, due 11/19/03.	\$ <u>20,000</u>	\$ <u>20,000</u>	\$ <u>20,000</u>

Confirmation of this deposit was obtained directly from the Alabama Department of Insurance.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company Registration and Reporting

The Company was subject to the Alabama Insurance Holding Company Regulatory Act of 1973, as defined in Section 27-29-1, Code of Alabama, 1975, as amended.

The Company is responsible for holding company registration statement (Form B) and periodic informational filings with the Alabama Department of Insurance, in accordance with Section 27-29-4, Code of Alabama, 1975, as amended, and Alabama Department of Insurance *Regulation No. 55*.

In connection therewith, the Company was registered with the Alabama Department of Insurance as registrant of an Insurance Holding Company System. A review of the Company's Form B Amendments filed for the period under examination indicated that all required filings had been made in a timely manner. However, it was determined that the Form B did not identify every member of the Holding Company, as required by Section 27-29-4(b)(1)(2)(3), Code of Alabama, 1975, as amended. Mr. Nathan Wayne Stark is listed as the ultimate controlling person on the most recent filed Form B. This examination verified that Mr. Stark owns 100% of four businesses. In addition, there are two other businesses in which he holds the power to vote, or holds proxies representing five (5%) percent or more of the voting securities.

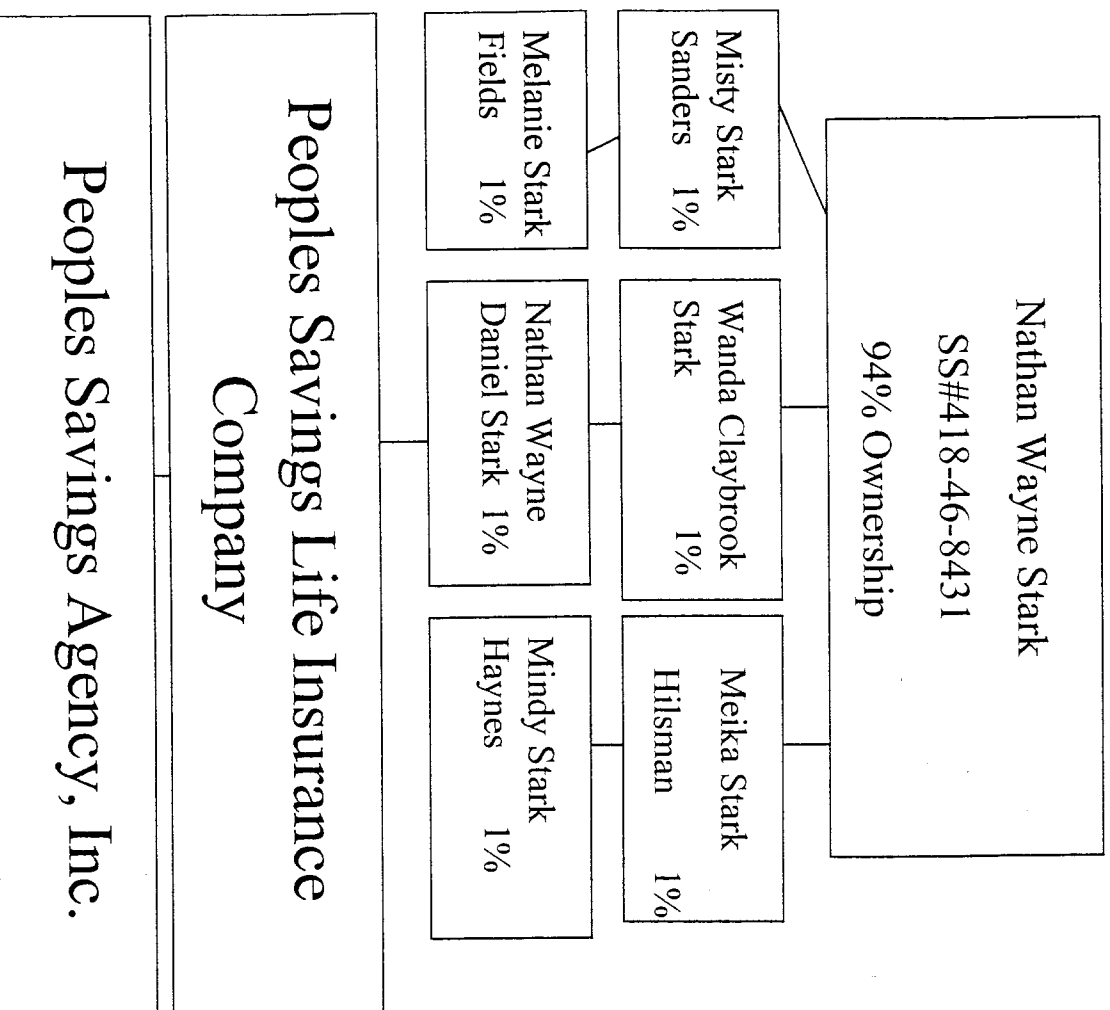
Organizational Chart

The chart on the following page depicts the insurance holding company system with which the Company was affiliated as of December 31, 2000. As mentioned above, the Company failed to identify every member of the Holding Company System. As a result, the Company did not list such information on *Schedule Y*. In accordance with the NAIC Annual Statement Instructions, "...all members of a holding company group shall prepare a common schedule for inclusion in each of the individual annual statements. If you are required to file a registration statement under the provisions of your domiciliary state's Insurance Holding Company System Act, then Schedule Y, Part 1, Organization Chart must be included in the Annual Statement."

(continued next page)

Peoples Savings Life Insurance Company

Organizational Chart



Agreements with Affiliates

The following agreements between the Company and its affiliates were in effect during the examination period and at December 31, 2000:

Client Service Agreement

The Company has no employees. Effective August 24, 1998, the Company leased personnel from SkilStaf, Inc., to handle all administration duties of the Company. The Company pays service fees to Skilstaf, Inc., for such services. The service fee is equal to the rate percentages specified in Schedule I multiplied times the gross earnings, as adjusted, of the assigned employees filling job function positions for the Company.

Currently, the agreement is automatically renewed for a period of twelve (12) months. If either party decides to terminate the agreement, thirty- (30) days prior written notice must be provided to the other party.

Fees related to this agreement were \$185,516.67 in 2000.

It was determined that the aforementioned agreement has not been submitted to the Commissioner for approval. Section 27-29-5(b)(4), Code of Alabama, 1975, as amended, states that

"...the following transaction involving a domestic insurer and any person in its holding company system may not be entered unless the insurer has notified the commissioner in writing of its intention to enter such transaction at least 30 days prior thereto, or such shorter period as the commissioner may permit, and the commissioner has not disapproved it within that period . . . All management agreements, service contracts, and all cost-sharing arrangements".

Such agreement shall be deemed not effective until it has been approved by the Commissioner.

Agency Agreement

The Company provided a one-sentence statement as its agency agreement. The "agreement" was not signed by both parties. Furthermore, a letter indicated that Peoples Savings Agency, Inc., would provide working capital and any other monetary needs to the Company. If in fact the document provided by the Company is an agency agreement, both parties must sign the document. The effective date of this document is December 31, 1999. Additionally, the agreement must provide specifics as to the terms and arrangement of the agreement.

Since the Company is treating the aforementioned document as an agency agreement, the Company is in violation Section 27-27-27, Code of Alabama 1975, as amended, which states that

"...no domestic insurer shall hereafter make any contract whereby any person is granted or is to enjoy in fact the management of the insurer to the substantial exclusion of its board of directors or to have the controlling or preemptive right to produce substantially all insurance business for the insurer, unless the contract is filed with, and approved by the Commissioner within 20 days after date of filing".

A review of certain documents indicated that the amount of \$110,500 listed on the *Details of Write-ins* of the *Summary of Operations* was a loan instead of agency fees, as reported by the Company. Initially, the amount was reported as "loan payable agency." Then, the Company made an adjustment by netting the amounts to reflect a zero balance on the Company's transaction register. Finally, the Company reclassified the amount as "agency fees." The transaction is deemed to be an unsecured loan. This is a violation of Section 27-37-2 (2), Code of Alabama, 1975, as amended, which states that

"Advances to officers, directors and controlling stockholders, other than policy loans, unless the same are secured by collateral satisfactory to the commissioner, and advances to employees, agents and other persons on personal security only".

Also, since the Peoples Savings Agency, Inc., is a member of the Holding Company System, this transaction is in violation of Sections 27-29-4 and 27-29-5, Code of Alabama, 1975, as amended. This type of transaction must be included on the registration statement amendments, and the terms shall be fair and reasonable.

Management Controls, Inc.

The Company provided a one-sentence document that represented the agreement between the Company and Management Controls, Inc. The effective date of this document was November 13, 2001. This examination determined that an employee of Management Controls, Inc., handles certain operations of the Company. The person maintains the Company's bank statements, including reconciliations, disbursing of checks and receiving deposits. No agreement was noted for such services. Furthermore, this document is deemed not an agreement, since both parties did not sign it.

It was determined that the services provided by Management Controls, Inc., is in violation of Sections 27-29-4 and 27-29-5, Code of Alabama 1975, as amended. Since Management and Controls, Inc., is a member of the Holding Company System, this type

of transaction must be included on the registration statement, and the terms shall be fair and reasonable including such charges and fees to be performed.

Skilstaf, Inc.

It was noted that the Company made numerous unsecured loans to Skilstaf, Inc., an affiliate. The Company disbursed funds by check or electronic means. Then, at a later date, Skilstaf, Inc., would redeposit the funds back into the Company's checking account. This type of transaction continued in 2001, until the Company was informed that it was in violation of Section 27-27-26(a), Code of Alabama, 1975, as amended, which states that

"...any officer, or director, or any member of any committee or any employee of a domestic insurer who is charged with the duty of investing or handling the insurers' funds shall not borrow the funds of such insurer; shall not be pecuniarily interested in any loan, pledge or deposit."

In addition, this is a violation of Section 27-29-5(b)(1), Code of Alabama, 1975, as amended which states

"Sales, purchases, exchanges, loans or extensions of credit, guarantees, or investments provided the transactions are equal to or exceed".

Southern Lady

It was noted that there was an unsecured loan in the amount of \$104,750 to Southern Lady, which is owned by Wanda Stark, who is the Secretary/Treasurer of the Company. As indicated above, the Company's funds were disbursed, and redeposited at a later date. Again, this is a violation of Section 27-27-26(a), Code of Alabama, 1975, as amended.

Mr. Nathan Wayne Stark - Ultimate Controlling Person

It was noted that there were two disbursements to Mr. Nathan Wayne Stark in the amounts of \$43,000, and \$50,000. It was determined that Mr. Stark signed and endorsed the checks. The transaction is deemed a violation of Section 27-27-26(a), Code of Alabama, 1975, as amended, which states that "...officers and directors of insurers shall not borrow the funds of such insurer". This also would be a non-admitted asset pursuant to Section 27-37-2(2), Code of Alabama, 1975, as amended, which requires advances to officers, directors, and controlling stockholders be non-admitted. In addition, this is a violation of Section 27-29-5(b)(1), Code of Alabama 1975, as amended which states

"Sales, purchases, exchanges, loans or extensions of credit, guarantees,

or investments provided the transactions are equal to or exceed".

Dividends to Stockholders

No dividends to stockholders were paid during the examination period.

CORPORATE RECORDS

The Company filed the restated and amended Articles of Incorporation and Bylaws on October 6, 2000. The Articles and Bylaws were reviewed during the course of this examination, and it was determined that the Company has not complied with its Articles. During the examination period, annual meetings were held at different times instead of the second Tuesday of March, as indicated in Section 2.3 of the Articles and Bylaws. Section 27-27-22(b) (3), Code of Alabama 1975, as amended, states that

" the time, notice, quorum and conduct of annual and special meetings of members and voting thereat. The bylaws may provide that the annual meeting shall be held at a place, date and time to be set forth in the policy and without giving other notice of such meeting".

Minutes of the Board of Directors from August 3, 1998, through October 10, 2001, were reviewed. On October 10, 2001, a resolution was passed authorizing an increase in the par value of the corporation's common stock from \$10 to \$16 per share, and that a pro rata stock dividend of 7,500 common shares would be rescinded, reducing the outstanding shares from 20,000 to 12,500, while leaving unchanged the total value of the corporation's capital stock at \$200,000. This was effective retroactively as of September 27, 2000. However, the Company's December 31, 2000 Annual Statement did not reflect such change. The Company reported \$50,000 as common capital stock. Subsequent to the balance sheet date, the Company indicated the appropriate amount in its June 30, 2001 Quarterly Statement.

MANAGEMENT AND CONTROL

Stockholder

As of December 31, 2000, Mr. Nathan Wayne Stark owned 12,494 of the 12,500 shares of the total issued and outstanding common shares of stock. The remaining six (6) shares were owned by six individuals, who were as follows: Wanda Claybrook Stark, Misty Stark Sanders, Mindy Stark Sanders, Melanie Stark Fields, Nathan Wayne Daniel Stark, and Meika Love Stark.

Board of Directors

The Company's By-Laws provide that the Board of Directors shall consist of not less than seven persons, each whom must be a member or stockholder of the corporation.

Directors shall be elected at the annual meeting of the Stockholder and serve until the next annual meeting, or until successors are elected and qualified.

The following directors were elected September 27, 2000, as a result of a special meeting, and were serving at December 31, 2000:

<u>Name</u>	<u>Principal Occupation</u>
Nathan Wayne Stark	Pres.-Peoples Savings Life Insurance Company, and Chairman of the Board of Directors
Wanda Claybrook Stark	Executive V.P. of the Company and Vice Chairman of the Board of Directors
Misty Stark Sanders	School Teacher
Mindy Stark Haynes	Human Resource Director
Melanie Stark Fields	School Teacher
Meika Love Stark	Accountant
Nathan Wayne Daniel Stark	Civil Engineer

Committees

The Company's By-Laws provide that the Board of Directors may designate committees of its members, including an executive committee, to exercise all the authority of the Board, except that reserved by statute, to the Board. Each committee may have one or more members, who will serve at the pleasure of the Board of Directors. At December 31, 2000, there was no indication that a committee was established. The Company did have investments, for which there were no approvals by a committee, or by the Board of Directors.

Officers

The By-Laws specify that the Board of Directors shall elect, appoint, and remove as necessary, the following officers, who may in turn appoint assistant officers unless the Board overrides such appointments of assistants:

<u>Name</u>	<u>Title</u>
Nathan Wayne Stark	President

Wanda Claybrook Stark

Treasurer/Secretary and V.P.

Pat Lee Gilliland *

Chief Operating Officer

Crystal Dunn

Assistant Treasurer

* Allen Brewer replaced Pat Lee Gilliland in July 2001.

Conflict of Interest

The Company's Articles of Incorporation set forth guidelines that all directors shall avoid prohibited conflicts of interests and abide by Alabama pecuniary regulations governing the Company. However, the Company was unable to provide complete signed statements by its directors and officers. Section 27-27-26, Code of Alabama, 1975, as amended, sets forth the transactions in which an officer or director is prohibited from completing or incurring with a Company. Conflict of interest policies and statements are necessary internal controls in insuring compliance with the above-mentioned section of the *Alabama Insurance Code*.

EMPLOYEE AND AGENTS' WELFARE

The Company has no employees. The Company leases employees from Skilstaf, Inc., an affiliate.

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2000, the Company was insured by a Financial Institution Bond issued by Chubb Group of Insurance Companies, Warren, New Jersey, in the amount of \$1,000,000, which met the suggested minimum requirements of the NAIC Financial Condition Examiner's Handbook. The bond provided dishonesty and fraud coverage for directors and officers.

In addition to the above coverage, the Company was a named insured under policies providing the following protection at December 31, 2000:

- Commercial Umbrella
- Commercial General Liability
- Automobile Liability.

The coverages and limits of the Company's insurance were reviewed and were deemed to adequately protect the Company's interests at the examination date.

MARKET CONDUCT

Territory

The Company is licensed in Alabama only. Its Certificate of Authority, effective October 1, 1950, was inspected and found to authorize the Company to write group term life insurance policy, which includes provisions for life insurance benefit, AD&D, and dependent life insurance benefits.

Plan of Operation

The Company provided a statement, which indicated that Peoples Savings Agency, Inc., was the sole agent of the Company. During the examination period, the Company only had a small amount of direct premiums written in 1999. The examination evidenced no commission statement, which reflected that Peoples Savings Agency, Inc., had written business on behalf of the Company. If any of the officers of Peoples Savings Agency, Inc., secured and furnished information for the purpose of group life insurance and enrolling individuals under such plans or issuing certificates and assisting in administering such plans where no commission is paid for such services, they would be deemed not an agent in accordance with Section 27-8-1(b)(4), Code of Alabama, 1975, as amended.

There was no agreement authorizing Peoples Savings Agency, Inc., to solicit applications or to negotiate for insurance or annuity contracts and to deliver policies or contracts on the Company's behalf at December 31, 2000. Further comment on the agency agreement is included under the "Holding Company and Affiliate Matters" section of the report. Subsequent to the balance sheet date, on December 12, 2001, Peoples Savings Life Insurance Company appointed Reginald Allen Brewer as an agent. Mr. Brewer is the Chief Operating Officer of the Company, and he is also the Executive Vice President of Peoples Savings Agency, Inc.

Policy Forms and Underwriting

At December 31, 2000, the Company only issued a group term life policy to Skilstaf, Inc., an affiliate. The Alabama Department initially approved the policy, but the approval was withdrawn due to the fact that the Company used a 1960 Standard Group Mortality Table. Section 27-30-16, Code of Alabama, 1975, as amended, requires Mutual Aid companies to use the following tables:

- Combined Experience Table,
- the Actuaries Table, or
- the American Experience Table.

In addition, the Company must obtain approval of the group term life policy from the Alabama Department of Insurance.

The Company's application form 001 was initially approved on January 4, 2000, but approval was withdrawn because the form did not include a mandatory binding arbitration clause. The Company submitted a revision to said form to include a mandatory binding arbitration. Subsequent to the balance sheet date, as of December 14, 2001, the Company wrote the Alabama Department to suggest that application form 001 is not actually an application, but is purely an enrollment form, since the policy is a guaranteed policy that exists between the Company and Skilstaf, Inc. Nonetheless, the Company should seek approval of application 001 from the Alabama Department of Insurance.

Compliance With Agents' Licensing Requirements

At December 31, 2000, the Company had no agents.

Advertising

The Company did not do any advertising to the general public.

Claims Payment Practices

During the examination period, it was determined that there were two claim payments made in 2000, as a result of deaths in 1999. The claims were reviewed with regard to compliance with policy provisions, timeliness of payment, adequacy of documentation. No noteworthy discrepancies were found within the review. The complaint files maintained by the Alabama Department of Insurance revealed no complaints against the Company.

REINSURANCE

Reinsurance Assumed

The Company did not assume any reinsurance during the examination period.

Reinsurance Ceded

At January 1, 2000, the Company entered into agreement with Standard Insurance Company assuming that the agreement was reinsurance. However, a review of the agreement by the Alabama Department of Insurance determined the agreement was not a reinsurance agreement, but a group policy between Standard Insurance and Skilstaf, Inc. Based on the agreement, the Company assumed no risk. As a result, the Company had no reinsurance business in force at December 31, 2000. Consequently, the Company cancelled the policy, effective December 31, 2000.

Subsequent to the balance sheet date, the Company entered into a reinsurance agreement with Transamerica Reinsurance regarding a catastrophic and excess treaty. The Department reviewed the treaties, and determined that the agreements did not comply with the Alabama Department of Insurance *Regulation No. 85*. Currently, the treaties are being revised by the Company and will be forwarded to the Commissioner for approval.

ACCOUNTS AND RECORDS

Internal Records

Certain detail records were kept manually and by computer. Personnel of Skilstaf, Inc., Management Controls, Inc., and a consultant from the State of Florida performed management and record-keeping functions for the Company during the examination period.

The examiner encountered difficulty when reconciling the balances listed on the 2000 Annual Statement to the Company's summary trial balance. The problem with tracing the accounts is that the Company made adjustments to the balance sheet based on the CPA audit. However, the Company failed to make adjustments to the summary trial balance or the 2000 Annual Statement to reflect changes. Also, there were numerous instances of incomplete or inconsistent records and accounting errors. The 2000 Annual Statement did not include all exhibits. *Schedule E - Part 2, Special Deposit*, was missing. The Company failed to report separately all deposits in excess of \$100,000, in accordance with the NAIC's Annual Statement Instructions. *Schedule Y and General Interrogatories* were not completed in accordance with NAIC Annual Statement Instructions. Section 27-30-21(a), Code of Alabama, 1975, as amended, states that

"...every mutual aid association shall keep complete and accurate accounts and records of its affairs and transactions, in accordance with the usual and accepted methods and principles of insurance accounting".

Numerous documents and work papers of the Company were not maintained in the home office. Certain work papers were located in the office of the Company's consultant, who resides in the State of Florida. Disbursement and receipt journals and cancelled checks were kept in the office of Crystal Dunn at Stilstaf, Inc. All work papers and documents of the Company should be kept in the principal offices of the association located in this state and be available for inspection by the Commissioner on any general business day, in accordance with Section 27-30-21(b), Code of Alabama, 1975, as amended.

Vouchers were requested to support the numerous and large disbursements made by the Company in 2000. It was determined that the Company does not maintain vouchers as a part of its records. Section 27-27-30(a)(b), Code of Alabama, 1975, as amended, states that

"...no insurer shall make any disbursement of \$25 or more unless evidenced by a voucher or other document correctly describing the consideration for the payment and support by a check or receipt endorsed or signed by, or behalf of the person receiving the money. If the disbursement is for services and reimbursement, the voucher or other document, or some other writing referred to therein, shall be describe the service and itemize the expenditures".

Company officials were advised of the inadequacies and discrepancies that were deemed significant, and same are discussed in the related notes to the financial statements, elsewhere in this report.

The Company does not have an internal audit function.

External Audits and Actuarial

The Company was audited annually by the certified public accounting firm of Don Thornell, CPA, INC., Alexander City, Alabama, which conducted all of the Company's audits for the examination period.

The Company has not retained an actuarial firm to prepare its Loss Reserve Analysis. The Company reported only a small amount of reserves in 1999. The estimation of reserves was done by Gary Pridgen, consultant. The Company was exempt from filing The Statement of Actuarial Opinion.

FINANCIAL STATEMENTS

Financial statements included in this report, which reflect the financial condition of the Company at December 31, 2000, and its operations for the years under examination, were based on the best information available to the examiners, and are believed to be stated conservatively. The statements are presented in the following order:

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***THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART THEREOF.***

PEOPLES SAVINGS LIFE INSURANCE COMPANY
STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
For the Year Ended December 31, 2000

	<u>Ledger Assets</u>	<u>Non- Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
ASSETS				
Bonds	\$20,000	\$	\$	\$20,000
Common stocks	1,000		1,000	0
Cash (\$337,667) and Short-term investments (\$0)	<u>337,667</u>	<u> </u>	<u> </u>	<u>337,667</u>
Subtotals, cash and invested assets	\$358,667			\$357,667
Investment income due and accrued		103		103
Other assets non-admitted	<u>13,249</u>	<u>0</u>	<u>13,249</u>	<u>0</u>
TOTALS	<u>\$371,916</u>	<u>\$103</u>	<u>\$14,249</u>	<u>\$357,770</u>
 LIABILITIES				
Federal income taxes due or accrued				<u>\$131</u>
Total Liabilities				\$131
 CAPITAL AND SURPLUS				
Common capital stock			\$ 50,000	
Gross paid in and contributed surplus (Note 1)		347,000		
Unassigned funds (deficit)		<u>(39,361)</u>		
Total Surplus			<u>307,639</u>	
Total Capital and Surplus				<u>357,639</u>
TOTAL LIABILITIES, CAPITAL AND SURPLUS				<u>\$357,770</u>

PEOPLES SAVINGS LIFE INSURANCE COMPANY
SUMMARY OF OPERATIONS
For the Years Ended December 31, 2000, 1999, 1998

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Income			
Premiums and annuity consideration	\$ 0	\$ 28,197	
Net investment income	9,050	(125,108)	\$ (81,531)
Aggregate write-in	<u>376,955</u>		
Total income	<u>\$ 386,005</u>	<u>\$ (96,911)</u>	<u>\$ (81,531)</u>
<u>Deductions:</u>			
Death benefits	20,000	10,000	
Matured endowments			
Disability benefits and benefits under accident and health policies			
Surrender benefits and other fund Withdrawals			
Increase in aggregate reserves for life and accident and health policies and contracts	(14,100)	14,100	
Commissions on premiums, annuity Considerations and deposit-type policies (direct business only)			
General insurance expenses	254,677	132,921	
Insurance taxes, licenses and fees	8,847	3,012	
Increase in loading on and cost of Collection in excess of loading on deferred and uncollected premiums			
Total deductions	<u>\$ 269,424</u>	<u>\$ 160,033</u>	<u> </u>
Net gain from operations after Dividends to policyholders and before federal income taxes	<u>116,581</u>	<u>(256,944)</u>	<u>(81,531)</u>
Federal income taxes incurred			
Net gain from operations after Dividends to policyholders and federal income taxes and before realized capital gains or (losses)	<u>\$ 116,581</u>	<u>\$ (256,944)</u>	<u>(81,531)</u>
Net realized capital gains or (losses) less capital gains tax and transferred to the IMR	<u>116,581</u>	<u>(256,944)</u>	<u>(81,531)</u>
Net income	<u>\$ 116,581</u>	<u>\$ (256,944)</u>	<u>\$ (81,531)</u>

PEOPLES SAVINGS LIFE INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS ACCOUNT
For the Years Ended December 31, 2000, 1999, and 1998

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Capital and surplus,			
December 31, prior year	\$ <u>237,172</u>	\$ <u>295,888</u>	\$ <u>245,781</u>
<u>Gains and (losses) in surplus:</u>			
Net income	\$ 116,581	\$ (256,944)	\$(81,531)
Change in net unrealized capital gains			
Or (losses)	(26,700)	27,700	(8,362)
Change in nonadmitted assets and			
Related items	30,200	(35,087)	
Net unrealized capital gains or			
(losses)	(1,000)		
Change in asset valuation reserve	1,385	(1,385)	
Change in treasury stock	24		
Capital changes:			
Paid in		207,000	140,000
Transferred to surplus			
Surplus adjustment:			
Transferred from capital			
Net change in capital and surplus	<u> </u>	<u> </u>	<u> </u>
For the year	\$ <u>120,490</u>	\$ <u>(58,716)</u>	\$ <u>50,107</u>
Capital and surplus,			
December 31, current year	\$ <u>357,639</u>	\$ <u>237,172</u>	\$ <u>295,888</u>

CAPITAL GAINS AND LOSSES

For The Year Ended December 31, 2000

	<i>Difference Between Book and Admitted Values</i>	<i>Total Gain or (Loss)</i>
Common Stock	\$ (1,000)	\$ (1,000)
Totals	<u>\$ (1,000)</u>	<u>\$ (1,000)</u>
Net realized capital gains		
Net unrealized capital losses		\$(1,000)

NOTES TO THE FINANCIAL STATEMENTS

<u>Note 1 - Gross Paid-in and Contributed Surplus</u>	<u>\$347,000</u>
<u>Unassigned Surplus</u>	<u>\$(39,361)</u>

The amount of the captioned gross paid-in and contributed surplus is \$175,318 less than the amount reported in the Company's 2000 Annual Statement.

Gross paid-in and contributed surplus is the amount of capital received in excess of the par value of the stock issued. Changes in the par value of a reporting entity's capital stock shall be reflected as a reclassification between the capital stock account and gross paid-in and contributed surplus in accordance with the NAIC's Accounting Practices and Procedures Manual, SSAP No. 72, 7. The Company adjusted this amount by transferring the funds from unassigned surplus. This transaction was reversed by the examiner. The reserve of this transaction increased unassigned surplus by alike amount.

SUBSEQUENT EVENTS

A review of disbursements and receipt journals in 2001 indicated that the Company continued such practices as providing unsecured loans to an affiliate, and receiving redeposits from such unsecured loans.

The Company indicated that Peoples Savings Agency, Inc., continues to write and issue new business as new certificates on the group term policy. However, the Alabama Department of Insurance has not approved the Company's policy form G-001, on which form the certificates are issued.

CONTINGENT LIABILITIES AND PENDING LITIGATION

Examination of these items included: a review of the Company's statutory financial statements disclosures; performance of the usual search for unrecorded items; and obtaining letters of representation from management.

It was noted that the Company leases office space from Bobby J. Handley. In 2000, the Company paid \$9,075 for such space. Through June of 2001, the Company has paid \$5,000. There was no agreement to evidence the relationship between the Company and Bobby J. Handley. The Company should obtain a leasing agreement for the use of office space.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was conducted during the examination with regard to the Company's compliance with recommendations made in the previous examination report. The Company appears to have complied with the recommendations made as a result of the examination of the Company as of December 31, 1995.

COMMENTS AND RECOMMENDATIONS

Holding Company Registration and Reporting – Page 5

It is recommended that the Company identify every member of the Holding Company System in accordance with Section 27-29-4(b)(1)(2)(3), Code of Alabama, 1975, as amended.

Organizational Chart – Page 6

It is recommended that the Company list all members within Holding Company System on *Schedule Y* in accordance with NAIC Annual Statement Instructions.

Client Service Agreement – Page 8

It is recommended that the Company submit the Client Service Agreement for the Commissioner's approval in accordance with Section 27-29-5(b)(4), Code of Alabama, 1975, as amended.

It is recommended that the Company not pay fees to affiliated persons until it has agreements approved by the Commissioner.

Agency Agreement - Page 8

It is recommended that the Company obtain an agency agreement that provides specifics as to the terms and the arrangement of the agreement. **It is further recommended** that the Company file its agency agreement with the Commissioner in accordance with Section 27-27-27, Code of Alabama, 1975, as amended.

It is recommended that the Company report any future unsecured loans to Peoples Savings Agency, Inc. as non-admitted assets in accordance with Section 27-37-2(2), Code of Alabama, 1975, as amended.

It is recommended that the Company report any transaction between members of the Holding Company System in the registration statement (Form B), insuring that terms are fair and reasonable, and including such charges and fees to be performed, in accordance with Sections 27-29-4 and 27-29-5, Code of Alabama 1975, as amended.

Management Controls, Inc. - Page 9

It is recommended that the Company obtain a management and service agreement for such services, which are rendered by Management Controls, Inc.

It is recommended that Company not pay fees to affiliates under management and service agreements until it has approved agreements in accordance with Section 27-29-5(b), Code of Alabama 1975, as amended.

It is recommended that the Company include any transaction between members of the Holding Company System in the registration statement (Form B), insuring that the terms shall be fair and reasonable, and including such charges and fees to be performed, in accordance with Sections 27-29-4 and 27-29-5, Code of Alabama 1975, as amended.

Skilstaf, Inc. - Page 10

It is recommended that the Company refrain from making unsecured loans to Skilstaf, Inc., an affiliate, in accordance with Section 27-27-26(a), Code of Alabama 1975, as amended.

Southern Lady - Page 10

It is recommended that the Company refrain from making unsecured loans to Southern Lady, a non-affiliate, in accordance with Section 27-27-26(a), Code of Alabama 1975, as amended.

Mr. Nathan Wayne Stark-Ultimate Controlling Person - Page 10

It is recommended that the Company refrain from making unsecured loans to Mr. Nathan Stark, who is the ultimate controlling person, in accordance with Section 27-27-26(a). This also would be a non-admitted asset, pursuant to Section 27-37-2(2), Code of Alabama 1975, as amended.

Corporate Records - Page 11

It is recommended that the Company follow its Articles of Incorporation and Bylaws pertaining to its annual meeting, which is indicated as the second Tuesday of March in accordance with Section 27-27-22 (b) (3), Code of Alabama 1975, as amended.

Committees - Page 12

It is recommended that the Board of Directors, or a designated committee approve all investments made by the Company, in accordance with Section 27-41-5, Code of Alabama 1975, as amended.

Conflict of Interest - Page 13

It is recommended that the directors and officers of the Company sign conflict of interest statements.

Policy Forms and Underwriting - Page 14

It is recommended that the Company change the 1960 Standard Group Mortality Table it has been utilizing, to one of the three tables as specified by Section 27-30-16, Code of Alabama, 1975, as amended. **It is further recommended** that the Company obtain approval of its group policy G - 001.

It is recommended that the Company obtain approval of its application form 001, from the Alabama Department of Insurance.

Reinsurance Ceded - Page 16

It is recommended that the Company obtain approval of its Transamerica Reinsurance treaties in accordance the Alabama Department of Insurance *Regulation No. 85*.

Accounts and Records - Page 16

It is recommended that the Company maintain complete and accurate accounts and records of its affairs and transactions in accordance with Section 27-30-21(a), Code of Alabama, 1975, as amended.

It is recommended that the Company maintain a complete set of work papers and documents in the principal offices of the association in accordance Section 27-30-21(b), Code of Alabama, 1975, as amended.

It is recommended that the Company complete all exhibits and schedules in accordance with NAIC Annual Statement Instructions, and Section 27-30-21(a), Code of Alabama, 1975, as amended.

It is recommended that the Company make no "disbursement of \$25 or more unless evidenced by voucher or other document correctly describing the consideration for the payment and support by a check or receipt endorsed or signed by, or on behalf of, the person receiving the money" in Accordance with Section 27-27-30, Code of Alabama, 1975, as amended.

Subsequent Events - Page 22

It is recommended that the Company do not issue any further certificates in amount of \$10,000 until the Company has the Group policy form approved by the Department.

Contingent Liabilities and Pending Litigation - Page 22

It is recommended that the Company obtain an office lease agreement from Bobby J. Handley.

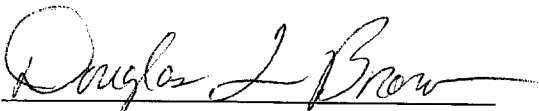
CONCLUSION

Acknowledgement is hereby made of the courteous cooperation extended by persons representing Peoples Savings Life Insurance Company during the course of this examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed in connection with the verification and valuation of assets and the determination of liabilities set forth in this report, to the extent possible utilizing Company records and accounts.

In addition to the undersigned, Don G. Yates, FSA, MAAA, Consulting Actuarial Examiner, both representing the Alabama Department of Insurance, participated in this examination of Peoples Savings Life Insurance Company.

Respectfully submitted,

A handwritten signature in cursive script, reading "Douglas T. Brown", written over a horizontal line.

Douglas T. Brown
Examiner-in-Charge
State of Alabama
Department of Insurance

January 22, 2002



DON SIEGELMAN
GOVERNOR

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
201 MONROE STREET, SUITE 1700
POST OFFICE BOX 303351
MONTGOMERY, ALABAMA 36130-3351
TELEPHONE: (334) 269-3550
FACSIMILE: (334) 241-4192
INTERNET: www.aldoi.org

D. DAVID PARSONS
COMMISSIONER
DEPUTY COMMISSIONER
JAMES R. (JOHNNY) JOHNSON
CHIEF EXAMINER
RICHARD L. FORD
STATE FIRE MARSHAL
JOHN S. ROBISON
GENERAL COUNSEL
MICHAEL A. BOWNES
LICENSING MANAGER
JIMMY W. GUNN

September 14, 2001

Mr. Nathan W. Stark
President
Peoples Savings Life Insurance Company
P. O. Box 866
Alexander City, AL 35010

Re: Financial Examination As Of December 31, 2000

Dear Mr. Stark:


This letter is to inform you of a financial examination of your company called by the Alabama Department of Insurance and to authorize Douglas Brown, Examiner, to conduct the examination. This authorization is pursuant to the instructions of Alabama Insurance Commissioner, D. David Parsons, and in compliance with the statutory requirements of the State of Alabama and resolutions adopted by the National Association of Insurance Commissioners.

Your examination is to commence on or about October 15, 2001, and will be conducted primarily in your offices. The expected duration of the examination is approximately twenty-five (25) days. Preliminary planning of your examination will first begin in the offices of the Alabama Department of Insurance. The examiner will arrive in your offices on or after this date. You will be contacted by Mr. Brown regarding the exact arrival date at your offices.

The Alabama Insurance Department has adopted work policies and rules governing work hours, leave and unacceptable conduct including sexual harassment. If you have any question about our examiner's conduct at your offices, please contact me immediately.

As part of your examination, the enclosed internal control and information systems questionnaire is required to be completed for review by our examiner. Please complete and return the questionnaire to this Department within 30 days, addressed to the attention of the Examiners' Division. The questions may be answered on the questionnaire itself or on a separate sheet if additional explanation is required. If possible, your CPA's workpapers and a representative of your CPA firm should be available the week of October 15, 2001, for review at your offices.

Invoices covering examination fees and related expenses will be submitted to the appropriate company official in accordance with standard Departmental policy. Payment of any examination charges so invoiced are due within two business days following presentation of the invoice.

Sincerely,

Richard L. Ford, CFE, CIE
Acting Deputy Commissioner and
Chief Examiner

RLF:dk
Enclosures

cc: Jack M. Brown, CFE
Douglas Brown
Jill Ellis

EQUAL OPPORTUNITY EMPLOYER

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- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Nathan W. Stark
President
Peoples Savings Life Insurance Co
P O Box 866
Alexander City, AL 35010

2. Article Number (Copy from service label)

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

9-20-01

C. Signature

X *Marvin Coffey*☐ Agent☐ Addressee

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

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3. Service Type

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4. Restricted Delivery? (Extra Fee)

☐ Yes



DON SIEGELMAN
GOVERNOR

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
201 MONROE STREET, SUITE 1700
POST OFFICE BOX 303351
MONTGOMERY, ALABAMA 36130-3351
TELEPHONE: (334) 269-3550
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DEPUTY COMMISSIONER
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RICHARD L. FORD
STATE FIRE MARSHAL
JOHN S. ROBISON
GENERAL COUNSEL
MICHAEL A. BOWNES
LICENSING MANAGER
JIMMY W. GUNN

September 14, 2001

Donald G. Yates, FSA MAAA
Actuarial Resources Corporation
5424 Afton Drive
Birmingham, AL 35242

Re: Examination of Peoples Savings Life Insurance Company
As of December 31, 2000

Dear Mr. Yates:

This letter is to request and authorize your participation in the examination of the above referenced company for the purpose of computing reserves and making other valuations in your usual manner.

The examination will begin on or about October 15, 2001. The examination for this company is being conducted in the company's offices at 364 Highway 280, Alexander City, AL 36010, and will cover the period ending December 31, 2000. The expected duration of the examination is approximately twenty-five (25) days.

The Examiner-in-Charge will be Mr. Douglas Brown. Please contact him at the company after the beginning date to coordinate the scheduling of your portion of this examination. The company telephone number is (256) 234-5119.

If your schedule does not permit you to accept this assignment, please let me know so that other arrangements can be made.

Thank you for your assistance in this matter.

Sincerely,

Richard L. Ford, CFE
Acting Deputy Commissioner and
Chief Examiner

RLF:dk

cc: Jack M. Brown, CFE
Douglas Brown
Jill Ellis

EQUAL OPPORTUNITY EMPLOYER

7099 3400 0015 2327 6910

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JOHN S. ROBISON
GENERAL COUNSEL
MICHAEL A. BOWNES
RECEIVER
DENISE B. AZAR
LICENSING MANAGER
JIMMY W. GUNN

January 23, 2002

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Nathan W. Stark
President
Peoples Savings Life Insurance Company
P. O. Box 866
Alexander City, AL 35010

RE: Peoples Savings Life Insurance Company
Report of Examination as of December 31, 2000

Dear Mr. Stark:

Enclosed is a copy of the Report of Examination of the above-cited company as of December 31, 2000. In the event that you have any objections to this report, please advise this Department in writing within twenty (20) days, and a hearing will be scheduled, at which time you may present your arguments regarding any objections.

Unless we hear from you within the above-stated time, the report will be filed as a public document. Once filed, no annual or quarterly statements, or other material reflecting the statutory financial condition of the company may be filed with or accepted by this Department if those statements conflict with any basis of calculation to establish the value of any asset, liability, or capital account in the report.

Sincerely,

Richard L. Ford, CFE
Acting Deputy Commissioner and
Chief Examiner

RLF:dk

Enclosure

cc: Jack M. Brown, CFE
Douglas Brown
Jill Ellis

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Nathan W. Stark
President
Peoples Savings Life Ins Co
P. O. Box 866
Alexander City, AL 35010

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

X *Martin Coker*☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Copy from service label)

7099 3400 0015 2327 4626

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952



DON SIEGELMAN
GOVERNOR

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**BEFORE THE INSURANCE COMMISSIONER
OF THE
STATE OF ALABAMA**

IN THE MATTER OF:)
FINANCIAL CONDITION EXAMINATION OF)
PEOPLES SAVINGS LIFE INSURANCE COMPANY)
AS OF DECEMBER 31, 2000)

ORDER

ON THE 19th day of February, 2002, the above-entitled cause came on for consideration by the Insurance Commissioner, pursuant to Regulation 103. The Insurance Commissioner, having fully considered and reviewed the Examination Report together with any written submissions or written rebuttals and any relevant portions of the examiners' workpapers, finds and states as follows, to-wit:

JURISDICTION

1. That the Insurance Commissioner has jurisdiction of this cause, pursuant to the provisions of the Alabama Insurance Code.
2. That Peoples Savings Life Insurance Company is a domestic insurer licensed as a mutual aid association, in the State of Alabama.

ORDER
FINANCIAL CONDITION EXAMINATION
PAGE 2

FINDINGS OF FACT

1. That on January 22, 2002, the verified Financial Condition Examination Report of Peoples Savings Life Insurance Company was filed with the Insurance Department.

2. That following receipt of the December 31, 2000 Examination Report, the Company was afforded a reasonable opportunity of not more than twenty (20) days to make a written submission or written rebuttal with respect to any matters contained in the Examination Report.

3. That Regulation 103 provides that within twenty (20) days of the end of the period allowed for the receipt of written submissions or written rebuttals, the Insurance Commissioner shall fully consider and review the report, together with any written submissions or written rebuttals and any relevant portions of the examiners' workpapers and enter an order. The order shall either: (i) adopt the examination report as filed or with modifications or corrections, including an order that the company take actions to cure any violations; (ii) reject the examination report with directions to the examiners to reopen the examination for purposes of obtaining additional data, documentation or information; or (iii) call for an investigatory hearing for purposes of obtaining additional documentation, data, information and testimony.

4. Regulation 103 requires the company to file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders within thirty (30) days of the issuance of the adopted report.

CONCLUSIONS OF LAW

1. That the December 31, 2000 Financial Condition Examination Report of Peoples Savings Life Insurance Company shall be and hereby is Adopted by the Insurance Commissioner, pursuant to Regulation 103.

ORDER
FINANCIAL CONDITION EXAMINATION
PAGE 3

ORDER

IT IS THEREFORE ORDERED by the Commissioner of Insurance as follows:

1. That the December 31, 2000 Financial Condition Examination Report of Peoples Savings Life Insurance Company is hereby Adopted.
2. That Peoples Savings Life Insurance Company file an affidavit with the Alabama Department of Insurance stating that a copy of the adopted report and related orders were reviewed by the board of directors within thirty (30) days of the issuance of the adopted report.
3. That Peoples Savings Life Insurance Company file an affidavit with the Department of Insurance within thirty (30) days of the issuance of the adopted report that the company filed a copy of the adopted report and related orders with all licensing states and the NAIC. An affidavit form is attached.
4. That Peoples Savings Life Insurance Company shall comply with the recommendations set forth in the Report of Examination, and that failure by Peoples Savings Life Insurance Company to so comply may result in sanctions or administrative action; and further, that Peoples Savings Life Insurance Company shall file with the Department of Insurance within thirty (30) days of the order a statement signed by an appropriate official of the company stating the corrective action taken to comply with the recommendations made in the Report of Examination.

WITNESS My Hand and Official Seal this 19th day of February 2002.

(STATE SEAL)



D. David Parsons
Insurance Commissioner
201 Monroe Street, Ste 1700
Montgomery, Alabama 36130
(334) 269-3550

CERTIFICATION

I, _____, _____ (office) of
_____ Company, do hereby certify that the Report of Examination of
_____ Company as of _____, _____, was filed with all states in
which _____ Company is licensed, and with the office of the National Association of
Insurance Commissioners.

By: _____

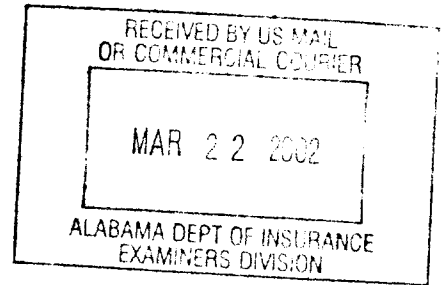
Sworn and subscribed before the undersigned authority on the ____ day of _____, 2002.

Seal

Notary

STATE OF ALABAMA

COUNTY OF TALLAPOOSA



CERTIFICATION

I, N. Wayne Stark, Chairman of the Board of Directors of Peoples Savings Life Insurance Company, Inc. (PSL), do hereby certify that the Report of Examination of Peoples Savings Life Insurance Company as December 31, 2001, was filed with all states in which PSL Company is licensed, and with the office of the National Association of Insurance Commissioners.

By: N. Wayne Stark
N. Wayne Stark

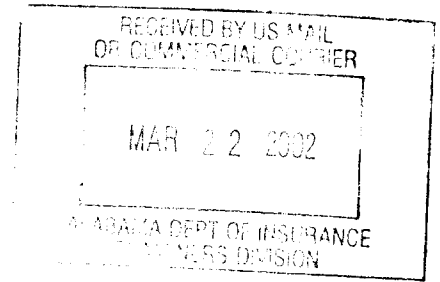
Sworn to and subscribed before the undersigned authority on the 12th day of March, 2002.

(NOTARY SEAL)

Diana A. Dunlap
NOTARY PUBLIC
My Commission Expires 1-29-2003

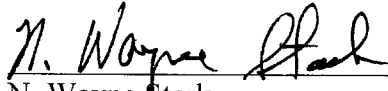
STATE OF ALABAMA)

COUNTY OF TALLAPOOSA)

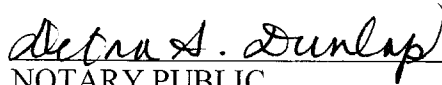


AFFIDAVIT OF PEOPLES SAVINGS LIFE INSURANCE COMPANY, INC.

I, N. Wayne Stark, Chairman of the Board of Directors of Peoples Savings Life Insurance Company, Inc. (PSL), hereby certify and affirm that copies of the adopted Financial Condition Examination Report of the Department of Insurance of the State of Alabama, together with the related order, were reviewed by the Board of Directors within thirty (30) days of the issuance of that adopted report.


N. Wayne Stark

Sworn to and subscribed before me this the 5th day of March, 2002.

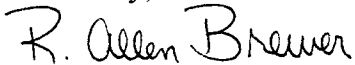

NOTARY PUBLIC
My Commission Expires 1-29-2003

(NOTARY SEAL)

7. Regarding Corporate Records, the company will abide by its Articles of Incorporation and Bylaws and applicable statutes pertaining to annual meetings.
8. Regarding Committees, the Board of Directors will approve all investments made by the company.
9. Regarding Conflict of Interest, the directors and officers of the company will sign conflict of interest statements.
10. Regarding Policy Forms and Underwriting, the company has submitted a revised application to the Department of Insurance, and the policy will utilize an approved mortality table.
11. Regarding Reinsurance Ceded, the company has submitted that reinsurance treaty to the Department of Insurance.
12. Regarding Accounts and Records, the company will continue to maintain complete and accurate accounts and records of its affairs and transactions. A complete set of work papers and documents will be maintained at the principal office of the association. The company will also continue to complete all exhibits and schedules in accordance with the NAIC Annual Statement Instructions. No "disbursements of \$25 or more" will be made unless evidenced by voucher or other documentation correctly describing the consideration for the payment and supported by a check or receipt endorsed or signed by, or on behalf of, the person receiving the money.
13. Regarding Subsequent Events, the company has not, and will not, issue any further certificates of insurance, in the amount of \$10,000, until the above-mentioned Group policy form has been approved by the Department of Insurance.
14. Regarding Contingent Liabilities and Pending Litigation, the company has submitted a lease agreement, between Peoples Savings Life Insurance Company, Inc. and SkilStaf, Inc. The company has not leased property from Bobby J. Handley since May of 2001, as discussed with the examiner.

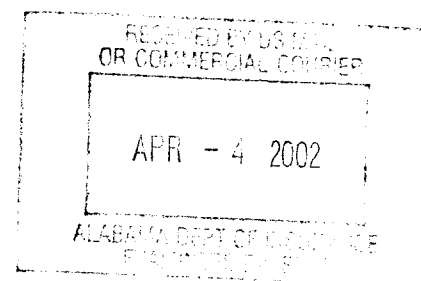
Peoples Savings Life Insurance Company, Inc. is a growing insurance company, eager to comply with all applicable rules and regulations promulgated by the State of Alabama Department of Insurance. I appreciate your cooperation in working with us as we take corrective actions as necessary.

Sincerely,



R. Allen Brewer
Chief Operating Officer
Peoples Savings Life Insurance Company

Cc: Wayne Stark, Wallis Haynes, Crystal Dunn, Jill Ellis



March 28, 2002

Richard L. Ford
Chief Examiner
State of Alabama
Department of Insurance
201 Monroe Street, Suite 1700
Montgomery, Alabama 36130

Dear Mr. Ford:

This letter is in response to the Financial Condition Examination of Peoples Savings Life Insurance Company as of December 31, 2000. There were some comments and recommendations made during the examination, and we respectfully submit the following action plan, which we already have begun implementing. I will address these items in accordance to their placement in the report.

1. Regarding the Holding Company registration and reporting, the company has identified to the examiner every member of the holding company system.
2. Regarding the Organizational Chart, the company will list all members within the holding company system on *Schedule Y*, in accordance with NAIC Annual Statement Instructions.
3. Regarding the Client Service Agreement, the company has submitted a Client Service Agreement to the Department of Insurance.
4. Regarding the Agency Agreement, the company has submitted an Agency Agreement to the Department of Insurance. The company will refrain from making unsecured loans to Peoples Savings Agency, Inc. The company will report any transactions between members of the holding company on Form B.
5. Regarding Management Controls, Inc., the company has submitted to the Department of Insurance a management and service agreement for services rendered by Management Controls, Inc. The company will report any transactions between members of the holding company on Form B.
6. Regarding SkilStaf, Inc., Southern Lady, and Mr. Nathan Wayne Stark, the company will refrain from making unsecured loans, whether to an affiliate or non-affiliate.